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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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PACE opened its first Southern California warehouse clubs this month. The two new units will try to offer more selection and more service than other members-only clubs in this market. (DSN photo)

Seedman Scraps Deal to Sell TSS Chain to Price Company

SAN DIEGO, Calif. — Fickle George Seedman, the 90-year-old chairman of Brooklyn, N.Y.-based TSS-Seedman's discount chain, has spurned yet another suitor. In a surprise move, The Price Company here has announced that its agreement with Seedman to acquire his 81% interest in the 69-year-old discount chain has been terminated by mutual agreement.

The sale of TSS-Seedman's, a privately held company, would have brought shareholders at least $50 million.

"Mr. Seedman expressed his desire to terminate, and The Price Company agreed provided it was reimbursed for out-of-pocket expenses," The Price Company announced in a prepared statement. Executives at The Price Company would not comment further.

"The reason we are terminating the negotiations is that it was their intention, which was not expressed to us at the time that we made the contract, to change the character of the stores," said Seedman, who is still active in management at the chain.

"They would not be offering any customer service, and our entire reputation has been built on customer service. That's the difference between us and 100 other stores on Long Island that have gone out of business since 1972. We would not go along with changing the store character."

Seedman has turned down other prospective buyers in the past, including Associated Dry Goods, at the time the

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PACE Jumps into LA Warehouse Club Fray

By Pamela Krein

LOS ANGELES — PACE Membership Warehouse has entered the competitive market here with the intent of making customer satisfaction its primary goal and the differentiating factor from the numerous club operations here.

The opening of two units in the greater Los Angeles area (El Monte and Woodland Hills) this month introduced PACE to the breeding ground of the membership warehouse business, placing the company head-to-head with such competitors as the Price Club, Costco and Price Savers.

PACE plans to open five additional stores in the region this year, said Henry Haimsohn, PACE founder, president and chief executive officer. Focusing expansion on this area and the other PACE-established markets throughout the country is one key element of Haimsohn's plan to make his 27-unit warehouse chain profitable after four years in operation.

Despite the tough competition PACE faces on the West Coast, Haimsohn said he is sure his company can carve out its niche. "We are noted for having a broader assortment of merchandise and a very high level of merchandise. We're more interested in our customers," he said.

For Haimsohn and PACE, this interest translates into providing a broad and deep

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Best Details Repositioning Plans To Become Jewelry-Driven Retailer

RICHMOND, Va. — Best Products plans to become a new type of hard lines marketer, one positioned between a discount store and a specialty retailer, as the "primary alternative" to either merchant.

Robert E.R. Huntley

Best's proposed revamping, which was outlined earlier this year (see *DSN*, Jan 5., page 1), would fundamentally change the catalog showroom into a jewelry-oriented hard goods discounter with a heavy focus on customer service and more use of TV, radio and newspaper inserts and ROP ads as key promotional vehicles, correspondingly playing down catalogs and flyers.

Best president and chief executive officer Robert E.R. Huntley detailed the company's repositioning earlier this month for security analysts and business reporters in a presentation in New York, and to employees in the company's newspaper, *Best Times*.

The cataloger has refined its merchandising categories into "five core categories: jewelry and giftware, the home, consumer electronics and leisure and juvenile," he said. Best's aim is "category dominance" that focuses on profitable high-volume items—"product intensification"—along with fewer sku's that still offer "a better, more coherent assortment and broader price point coverage."

The bottom line thrust of Best's efforts is to make the company highly profitable even during flat sales periods, by selling more merchan-

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TV Shopping Taps New Customers

K mart, Entertainment Marketing Deal May Spawn New Star in Lineup

By Arthur Markowitz

News Analysis

TROY, Mich. — The teleshopping merchandising agreement that went into effect between K mart and Entertainment Marketing this month (see *DSN*, April 13, page 1) provides a number of varied benefits to the two marketing conglomerates.

K mart's upfront benefit is its entry into a major new and growing retailing market and the opportunity to reach additional customers and increase sales.

Its greatest gains, however, will likely come further down the road. The nation's second largest retailer could eventually take a major equity position in Entertainment Marketing, or even add its teleshopping partner to the discounter's stable of retailers that already includes drug store (Pay Less), home center (Builders Square) and bookstore (Waldenbooks) chains.

Entertainment Marketing will reap immediate benefits from its diversified TV home shopping efforts. The Houston-based company's diverse teleshopping includes two Consumers Discount Network (CDN) shows as its core TV retailing programs, along with a tie-in catalog; Sky Merchant-2 as another show; a weekly 30-minute capsule of its video retailing and plans for a home shopping game show.

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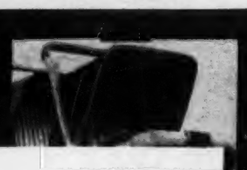
NMRI Expects Record Crowd

The National Mass Retailing Institute is expecting a record attendance of more than 2,000 at its 22nd annual convention in Miami Beach, based on the theme, "The Challenge of Change." DSN's convention preview starts on page 17.



Buyers Primed

Safety, Fashion Spark Juvenile Goods

Plastic Tool Boxes Hammer Out Gains

0024037C DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1HC
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

K mart to Add Bank Branches in Florida

TROY, Mich. — K mart announced plans to open 21 First Nationwide Bank branches in K mart stores in St. Petersburg, Bradenton, Sarasota and Orlando, Fla., bringing to 57 the number of branch locations of the bank in the Sunshine State. The agreement is part of a long term, multi-state plan by K mart and First Nationwide to add a minimum of 150 convenience banks to K mart stores across the nation this year. The completion of this goal would give the discounter 450 units that offer banking.

Warehouse Club Shuts Two Units

SKOKIE, Ill. — The Warehouse Club earlier this month shut its year-old membership warehouses in the Chicago suburbs of Arlington Heights and Lombard, Ill., leaving the chain with three units in the Windy City area. The closing, which reduced the chain's count to 12 clubs, will result in a one-time $5 million charge in the third quarter ended June 30. The move to reduce the undisclosed losses from the two stores was part of Warehouse Club's efforts to become a profitable company that has also seen the chain call off any expansion during the fiscal year ending in September (See *DSN*, March 2, page 3). In its past fiscal year ended Sept. 30, 1986, Warehouse Club sales of $157.3 million were up 77% from $89 million, but its net loss of $1.7 million was more than double the $516,000 recorded in the fiscal year ended Sept 30, 1985.

Seedman to Be Honored at UJA Dinner

NEW YORK — George J. Seedman, chairman and ceo of TSS-Seedman's, the East Coast discount chain that just called off its proposed sale to The Price Company, will be honored at the annual dinner of the United Jewish Appeal-Federation Hardware, Housewares, Paint and Seasonal Division, on May 21 at the Hotel Plaza here. The 90-year-old Seedman has enjoyed one of the longest and most illustrious careers in the discount industry. TSS-Seedman's operates 12 full line department stores, four small discount stores, 15 Finders Keepers off-price apparel outlets and several wholesale and manufacturing divisions.

Ford to Head K mart's Eastern Region

TROY, Mich. — K mart Corp. has promoted James E. Ford to vice president of K mart's Eastern Region located in East Brunswick, N.J., effective June 1. Ford replaces Arthur E. Riley who retires May 31. Ford has been with the $23.8 billion company for 24 years and most recently served as regional manager. K mart's Eastern Region has jurisdiction over the activity in the 440 K mart, Kresge and Jupiter stores located within the region, including operations, merchandising and personnel. Currently, there are 83 employees at this office.

Best Buy Nabs Six Superstore Locations

MINNEAPOLIS — Best Buy has signed leases for six of the 14 new superstores it has planned for calendar 1987, expanding into four new markets in Appleton and Green Bay, Wis.; and Kansas City and St. Louis, Mo. The company hopes to open the six stores from July through mid-September. All superstores will be located near high traffic shopping malls and will provide upward of 22,000 sq. ft. of retail selling space. The 24-store chain also reported March 1987 sales to be $26.1 million, a 119% increase from $11.9 million achieved during the comparable 1986 period. Fiscal year sales ended March 31 were $239.5 million, compared with $113.1 million last year, a 112% increase.

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Cataloger Luria To Supply Products For Network TV Shopping Program

MIAMI LAKES, Fla. — Catalog showroom operator L. Luria & Son has agreed to be the exclusive supplier of merchandise for a home shopping game show intended to run on a major television network this summer.

At presstime, the game show, which was produced by Merrill Heatter, the man behind the original Hollywood Squares show, was being reviewed by ABC, said Leonard Luria, president of the catalog showroom operation. If the existing pilot is picked up by ABC, the show will be hosted by Peter Tamarkin and the initial 13-week run will be placed in a morning slot and nationally rated.

Luria could not predict how much volume the show could generate. "It could be $5 million or it could be $100 million," he said.

Luria has started investing in first quality merchandise to fuel the program, although the specific mix of merchandise has not been determined.

Unrelated to the move into teleshopping, Luria also announced three executive level appointments.

New headquarters positions will be created later this year as part of the company's restructuring, according to Luria, who noted that the cataloger is quickly becoming a $200 million company.

Gary Holtzman, the new senior vice president, operations and stores, comes to Luria from Jordan Marsh where he had been executive vp, control and operations. He has also worked with Bloomingdales in operations and merchandising. Holtzman steps into a position that has been vacant since former vp, operations, David Brauer, retired nearly three years ago.

Joan Reece, 22-year catalog industry veteran, will hold the vp, jewelry merchandising

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Congress Warned of RPM Dangers

WASHINGTON — Two key Congressional leaders have issued a strong warning to their fellow colleagues that discount stores will soon be driven out of the marketplace unless legislation is quickly enacted to safeguard long-standing Congressional policy barring resale price maintenance activities.

"Consumers and the free enterprise system may soon be faced with a terrible loss—the disappearance of that innovative and distinctly American institution, the discount store," House Judiciary chairman Peter W. Rodino, D-N.J., and committee member Henry J. Hyde, R-Ill., jointly told House members.

The Congressmen's views were supported by testimony from Monroe Milstein, chairman of the New Jersey-based apparel discounter, Burlington Coat Factory; Larry Hochberg, president of Sportmart; and a representative of the National Association of Attorneys General.

To combat what the lawmakers cited as increasing attempts over the past five years to drive discounters out of the marketplace through illegal resale price maintenance schemes, Rodino and Hyde are sponsoring legislation to "restate the proper evidentia-

(Continued on page 100)

FTC Sides with Retailers Over Price Discrimination

WASHINGTON — Top Federal Trade Commission antitrusters may soon be defending discount chains and other mass merchandisers charged with soliciting discriminatory price cuts from suppliers in violation of the Robinson-Patman Act.

The FTC's plan—which is reminiscent of the Justice Department's aborted "Private Action Program" to undermine the federal ban on resale price maintenance conspiracies—involves intervening in private Robinson-Patman lawsuits in an effort to pressure the courts toward a more restrictive interpretation of the federal anti-price discrimination law.

Robinson-Patman, which was enacted during the Depression to protect small merchants from emerging retail chains, prohibits suppliers from offering discriminatory

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DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type the answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor - 4/27,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners and answers will be announced in a future issue. Answers to questions below appear somewhere in this issue.*

25 Years Ago This Week:

Blue Law Violators Nabbed: Four Kansas City discount store employees were arrested after selling a stuffed rabbit from an Easter display to an undercover "blue law" investigator. They were charged with violating an ordinance banning sales of nonessential goods on Sundays.

Understanding the Stock Market 101: Korvette shares jumped 50% in value after *Fortune* called founder Eugene Ferkauf "one of the six greatest merchants in history."

1. What major Northeastern discounter opened its 30th and 31st stores, in Cincinnati and Columbia, S.C.?
a) Bradlees;
b) Zayre;
c) Globe.

20 Years Ago This Week:

The Silver Lining: A nationwide slump in new car sales was bad news for Detroit, but auto parts discounters weren't complaining. They reported strong sales.

2. What discounter had record sales of $70 million in 1966?
a) Swallen's;
b) Meijer;
c) Caldor.

10 Years Ago This Week

Wanted, Dead or Alive: S.E. Nichols cut $390,000 from inventory losses by instituting a series of bounties for switched tags and shoplifters.

3. What chain announced a $9 per share tender offer for Mammoth Mart?
a) Hills;
b) King's;
c) Zayre.

5 Years Ago This Week:

China Crisis: Lenox, a major name brand china manufacturer, filed FTC complaints against "unauthorized retailers" Caldor, Best Products, Service Merchandise, Lechmere and others for acquiring Lenox products through transshippers.

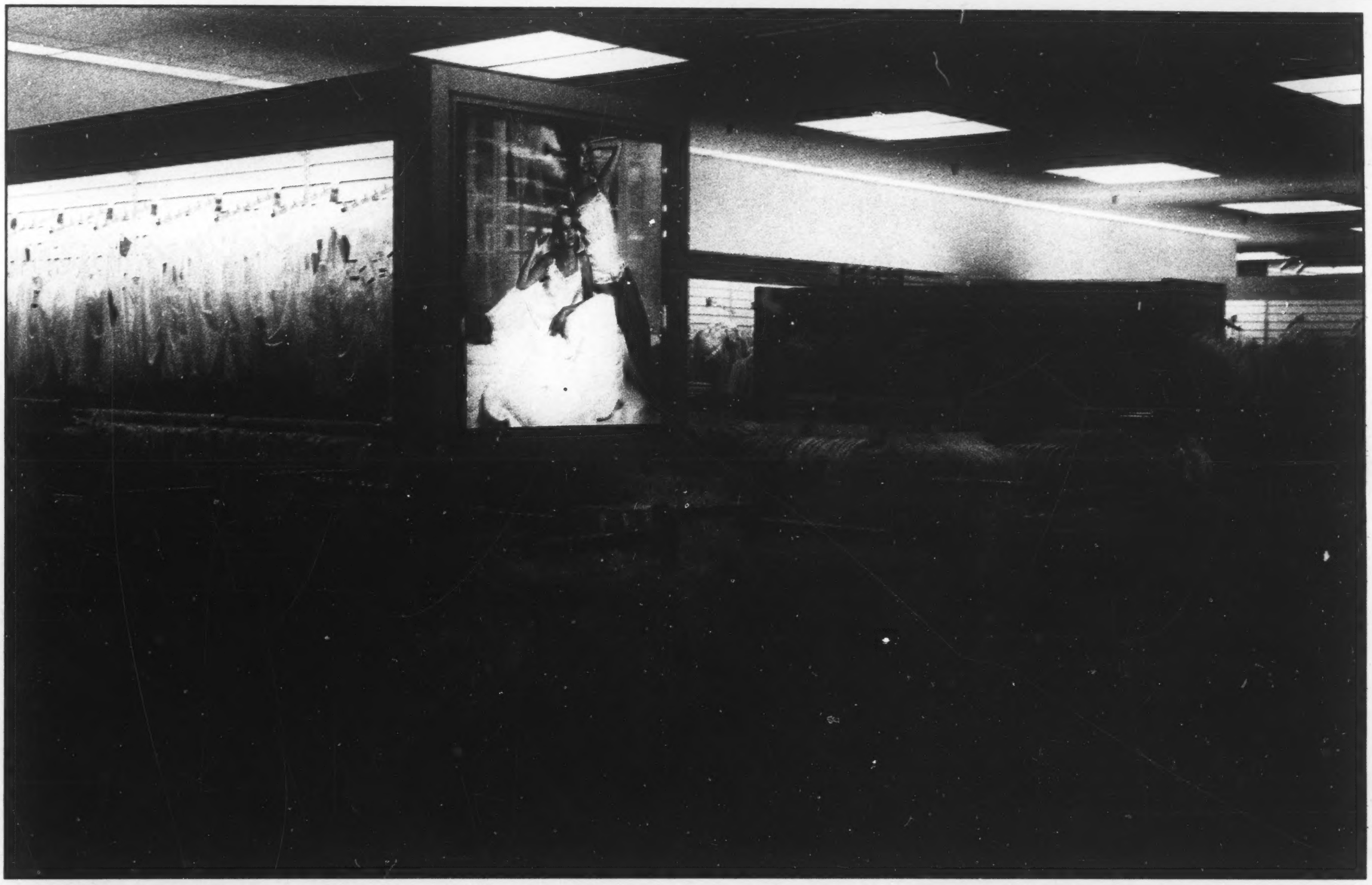
4. What discounter leased most of the space in 11 closed Two Guys stores in New Jersey, Connecticut and Massachusetts?
a) K mart;
b) Bradlees;
c) Zayre.

1 Year Ago This Week

Khadaffi-duck: Terrorism overseas directed against Americans led many discounters to cut foreign travel plans.

5. What chain introduced a private label credit card program in the Philadelphia market?
a) K mart;
b) Caldor;
c) Bradlees.

Apparel



Store-produced graphics, seen at Bradlees, Newark, Del., is one of the in-store display techniques for intimate apparel that buyers rated in a recent poll. Of those asked, about 42% said their stores do an above average job with such photos. Just as many gave their chains a below average score. (DSN photo)

Buyers Primed to Exploit New Trends in Intimate Apparel

Nationwide DSN Report

The winds of change that have blown through the intimate apparel market have picked up enough momentum to prompt shifts at the discount store level, according to a recent *DSN*-sponsored poll of buyers from chains.

A confidential poll of intimate apparel buyers at 32 discount chains, representing 6,650 discount, off-price and dollar stores across the country, was conducted last month by Jerard Less Inc., a New York-based retail apparel consultant, exclusively for *Discount Store News*.

The responses paint a portrait of departments with unrealized volume potential and buyers planning higher quality goods, increased fashion appeal and in a few cases, improved presentations.

More than a few buyers believe more space and new fixtures would pay off in the intimate apparel department but have yet to convince management. "It's a profitable area," one respondent said. "Yet, it hasn't been given enough support by management."

The impetus for change is seen everywhere; from the success of The Limited's intimate apparel specialty operation, Victoria's Secret, to a rekindling in the fashion industry of lacey feminine looks, romance and a trend to more natural fabrications like cotton.

According to the *DSN*-sponsored survey, buyers are primed to exploit the possibilities presented by all three trends. But changes in fabrications have, so far, made the most far-reaching impact. As one respondent said, " . . . through the Victorian look, which will pass, natural fibers will stay."

In fact, one merchandiser called the industry's shift to natural fibers "the first major change in 40 years."

Cotton Gains Importance

Of those polled, 93% see cotton as gaining in importance in the intimate apparel category. More specifically, responses indicated that right now about 44% of the robes, 42% of the sleepwear and 41% of ladies' panties sold in their stores are made of all cotton or high-cotton blends.

In general, the 15 smaller operations of 50 units or less were more likely to react to trends in fashion and tastes than the 17 larger chains polled.

For example, the return to romance and femininity in clothing was considered very important or important by just over half (53%) of the entire group polled. But among the smaller chains only, 67% said the trend was either important or very important compared to 41% of the merchandisers at larger chains.

At larger chains, nearly half—

(Continued on page 29)

MARKETWATCH

BROOKLYN, N.Y. — **Finders Keepers**, the 15-unit off-price division of **TSS-Seedman's**, is holding to its expansion strategy despite the sale of its parent company to San Diego-based Price Company. "It's business as usual, said Don Blank, vice president of the Finders Keepers chain. The chain's 15th unit opened in Livingston, N.J., at the start of April with another April opening slated for Clark, N.J. Blank has leases signed for another four off-price stores that should be ready to open for business by this fall. Blank also has the go-ahead for a new store in 1988. Although Price will reportedly convert all or part of the TSS-Seedman's department stores to Seedman-Price Club membership warehouses, the acquisition will have a positive effect on the off-pricer, said Blank, who is still looking for more potential store sites in the New York/New Jersey area.

* * *

SAN ANTONIO — **Management Horizons** president, Cyrus Wilson, and Michael Donabauer, vice president, will outline challenges of the future when they address members of the **American Apparel Manufacturers Association** at their 53rd annual meeting here on April 23 to 25. "Trends in retailing and the implications for apparel manufacturers," is the title of their presentation slated for April 23 at 11:45 a.m. The report on changes in retailing will cover the growth of private label, the strengthening of foreign resources, quick response, and also capsule retailers' current attitudes toward American manufacturers. The conclusions are designed to tell manufacturers how they can adjust to the changing retail environment.

* * *

CINCINNATI — U.S. Shoe's latest financial report indicates the problems with its off-price formats are still unresolved. The performance was called "unsatisfactory" for its **Front Row** family outlets, **T. H. Mandy** ladies' wear stores and **Home Front** home products units, but sales were not broken out. The current strategies include closing 12 of the Home Front stores and testing a smaller store size of about 4,500 sq. ft. for T. H. Mandy.

Buyers Primed to Exploit New Trends in Intimate Apparel

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47%—see the impact of romance as only somewhat of a factor in their future business plans. That perspective may come from weighing regional differences. One respondent reported "big growth in ethnic areas but middle class whites have yet to pick up on romance." Another remarked that romance has not reached towns of 10,000 or less.

When asked if they plan to increase open-to-buy over the next 12 months because of the influence of romance or femininity, 47% of those at smaller chains replied, "yes," compared to 29% at the larger chains. Of the total respondents combined, 38% are planning to invest more in their intimate apparel inventory this year.

It is important to note that many of those who can not get more money plan to shift their existing budgets into more fashion-oriented items. Among those polled, the definition of fashion is changing. "High-cut briefs are now basic," said one respondent. "Basic slip lengths are between 24-in. and 33-in. now," added another.

When asked to break down their assortments, those at larger chains estimate their intimate apparel to be 31% fashion merchandise while those at larger chains typically have about 39% of their mix with a fashion slant. In looking at open-to-buy, those polled spend 59% of their budgets on basic and 41% on fashion.

Supporting their revamped assortments with sharply-focused in-store presentations may well be buyers biggest challenge.

The majority, 78%, of the chains have the same size square footage devoted to apparel on the stores' selling floor as a year ago and will not be getting any more space in the next year. Among the few who recently expanded or who plan to expand this year, a 10% space increase is typical.

Few New Fixtures

This poll revealed a very small number of chains are investing in new fixtures. Of those polled, 11% have in the past year, or will in the next year, get new visual merchandising equipment in their stores. Only 4% of the 32 chains had or will invest in new fixtures and only 6% expect to or recently increased housekeeping.

Still, "maintenence is very important for the right look on the floor," one respondent explained.

Right now, most chains use fourways and rounders to display most intimate apparel but chains have not

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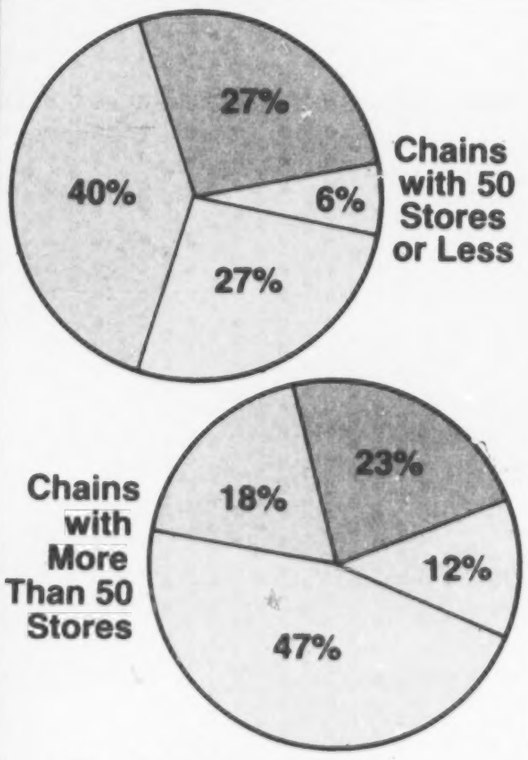
K mart is one chain which now utilizes manufacturer-produced four-color signing in their stores to upgrade such intimate apparel presentations as the traditional panty wall display, shown here at a unit in Sterling Heights, Mich.

Most chains, like K mart, report using flat tables along with waterfall and round rack displays in their intimate apparel departments. The majority of chains plan no new fixturing for intimate apparel in the next year. (DSN photos)

How do you rate the influence of the return to romance and femininity on intimate apparel sales over the next 12 months?



Apparel Survey Polled 32 Chains Across U.S.

NEW YORK — This Jerard Less/*Discount Store News* survey is based on telephone interviews with buyers and merchandisers at 32 discount, off-price and dollar store chains across the country. The phone calls, placed during the week of March 16, 1987, had been preceded by letters and written questionnaires sent out earlier that month. Respondents were promised complete anonymity.

Shoppers Prefer Discounters for Pantyhose; Intimates Lag

Nationwide DSN Report

A recent consumer survey supports discount store buyers' reports that their stores could improve their intimate apparel business.

A national survey of women shoppers conducted for *Discount Store News* by Leo J. Shapiro & Associates revealed that discounters are a distant third as a source of underwear, slips, bras and panties. Department stores and Sears, Ward and Penney combined get over half the business, based on where women say they shop for their foundations.

While 37% of the regular size ladies polled said they go to department stores for foundations, and 30% said they go to Sears, Ward or Penney, only 9% named a discount store. Among special-size women, a slightly larger percentage named a discount store. Large-size women also depend more on specialty stores as a source for their undergarments.

Discounters are much stronger in the competition for pantyhose sales, where the competition includes drug stores and supermarkets.

In fact, among large-size women, discount stores were named by the largest percentage of consumers as the place to shop for pantyhose. Petite and regular size women named department stores most often. However, discount stores were named nearly as often as Sears Ward, and Penny as the place to shop for hose.

Where Women Go to Buy Foundations

Discounters are a distant No. 3 as a source for underwear, slips, bras and panties.

	Large Sizes	Petites	Regular
Department Store	32%	40%	37%
Sears, Ward, Penney	31	27	30
Discount Store	12	13	9
Women's Apparel Store	11	6	2
Off-Price Apparel Store	3	2	4
Other	5	5	6
Not Answering	6	7	12

Source: Leo J. Shapiro & Associates, Discount Store News, Feb. 1987

Where Women Go to Buy Pantyhose

Discounters lead as a source for large-size women. Petites prefer department stores.

	Large Sizes	Petites	Regular
Department Store	10%	23%	24%
Sears, Ward, Penney	16	16	17
Discount Store	19	14	15
Grocery Store	10	9	12
Drug Store	8	4	5
Women's Apparel Store	8	5	—
Off-Price Apparel Store	3	2	2
Other	8	10	9
Not Answering	17	16	15

Source: Leo J. Shapiro & Associates, Discount Store News, Feb. 1987

Gold Circle Adds Petites Dept. with Focus on Dressy Styles

WORTHINGTON, Ohio — Gold Circle intends to build a petites business by offering dressier styles for shorter women.

The chain formally introduced a petite department late last month with a group of related separates priced from $12.99 to $19.99, said Michael Anthony, divisional merchandise manager.

"We want add-on sales," he said explaining that the program represents missy-oriented related separates not previously found in the chain's northern (45 of 76) stores to help insure add-on business.

The idea is to give that shopper something new instead of something she was previously buying in regular sizes and having altered. In the past, he said, most related separates at the Gold Circle had been junior oriented.

Targeting Current Customers

The target consumer of the matching skirts, tops and sweaters for women standing 5-ft., 4-in. and shorter is a woman who already has been shopping in the Gold Circle stores, said Anthony. In the missy bottoms business, goods proportioned for that shorter woman already account for 55% of the business and the same is true in plus-sized bottoms, he added.

Because of the oversized styles in casual clothing, those women don't need special tops to match the jeans they're buying, but there is a need for more petite-sized dressy clothes for work, church and similar occasions. Even the petite specialty shops seem to focus on career and dress-up clothing, Anthony noted.

Private Label for Spring

For the spring entree into the petites business, Gold Circle went to a vendor that specializes in private label. The goods were made to the chain's design and introduced under the label American Collection with hangtags designed to distinguish the goods from regular sizes. However, the new program was not featured in any ads.

Plans for Fall Advertising

The fall 1987 assortment will probably be featured in a circular. Anthony is also planning to shop vendors who specialize in petites and blend some of those goods with the petite private label program.

Buyers Primed to Exploit New Trends in Intimate Apparel

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thrown out their tables. Panties, lingerie and bras are still often featured on tables at a cross section of stores. A full three-quarters of the chains surveyed organize their intimate apparel first by style and then by color. Most, 84%, do not separate junior goods from missy goods in intimate apparel.

When asked to rate the contribution of vendor-supplied point-of-purchase material, chain-produced fashion photos, vendor advertising and local vendor support to their store's displays, many buyers expressed a need for local vendors to service the departments. Close to 47% of the buyers rated the local sales support in their stores as below average.

Buyers were split on rating their chain's use of vendor's point-of-purchase material and store-produced photography. About 42% said their stores do a below average job of utilizing vendor POP, while almost 39% rated it above average at their chains. In rating the implementation of store-produced graphics, 42% gave their chain above average scores and 42% gave their chain below average scores.

Not Brand-Conscious

Although advertising to consumers was seen as an average or above average factor in promoting sales for discounters, shoppers rarely ask for specific brands, according to those polled. Almost 70% said consumers do not come in asking for a certain brand or label.

Still, private label has only a small role in the intimate apparel departments at discount stores. Sixty-nine percent of the chains reported they use no private label program. Only 13% said they have programs that are very important to their business.

DSN Institutes Apparel Hotline

NEW YORK — *Discount Store News* has instituted a toll-free number to handle inquiries on its exclusive research on the apparel market and also to receive news tips and story ideas for its apparel coverage. Readers can call 1-800-332-3005 to get further information on *DSN*-sponsored research. Readers are also encouraged to write letters to the editor in response to any articles appearing in this paper.

Foundations for full-figure women were highlighted in a grand opening display at Bradlees, Newark, Del.

Hills combines the typical table displays of bras with short waterfall racks in its Miamisburg, Ohio, store. (DSN photos)

Discount Cosmetics to Spur 2.6% Gain in '87 Shipments

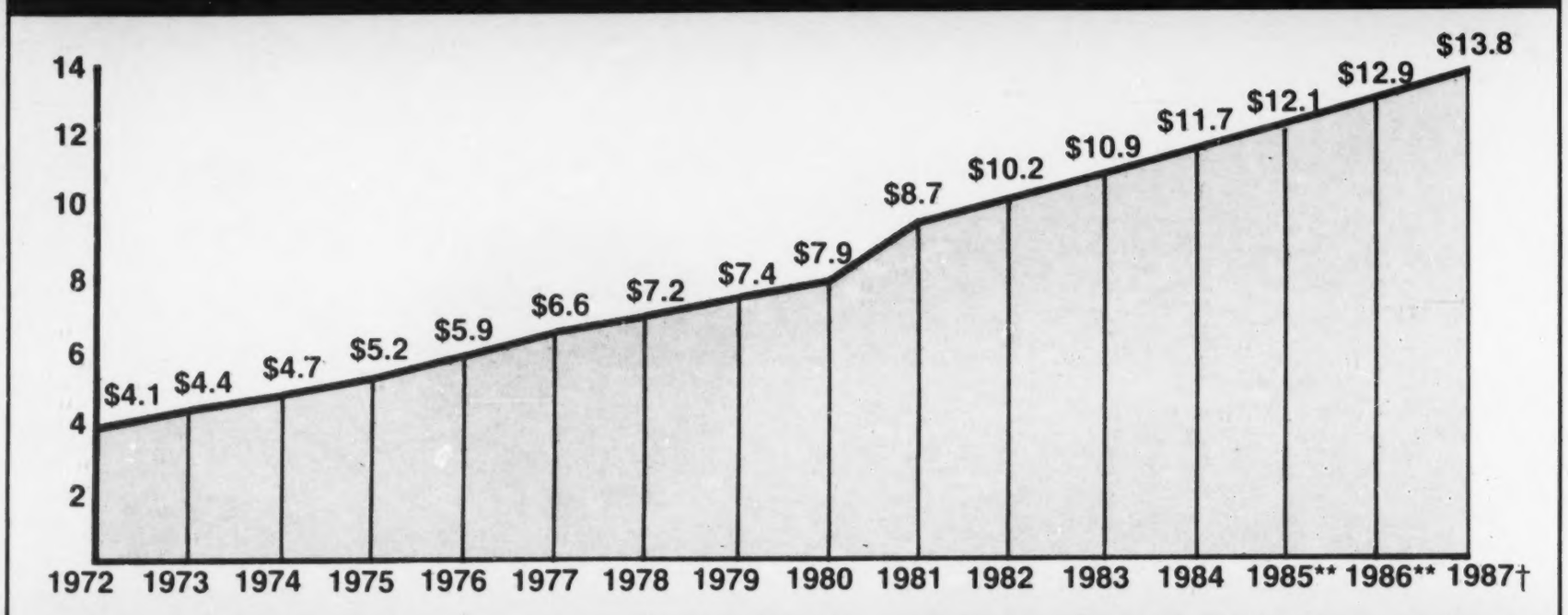
WASHINGTON — Growing sales through discount outlets and "at the mass merchandising level" will generate increased shipments by U.S. cosmetic manufacturers in 1987, according to a newly-released analysis by the U.S. Commerce Department.

"Price will continue to have a strong influence on sales," economists said, adding that "sales of prestige fragrances and cosmetics through discount outlets" will show particular gains in 1987 for specific retail sectors. The value of U.S. cosmetic industry shipments—almost $13 billion in 1986—is expected to increase by 2.6% this year. Long range growth in shipments should continue at about 2.8% per year through 1991, they predicted.

According to Commerce Department researchers, men's products, particularly "effective, practical and rational skin care products," should experience major sales growth in 1987. Sun lotions (led by sun screens which are expected to command 50% of the sun care market by 1990) are also expected to be a fertile area for U.S. manufacturers. Other sectors destined for growth include solid deodorants, skin care preparations for the over-35 age group and ethnic products, they predicted.

*Toilet Preparations: Value of Shipments, 1972-1987**

(In Billions)



*Manufacturer shipments of cosmetics, fragrances and other toiletry items
**Estimate
†Forecast

Source: U.S. Commerce Department

According to the report, purchasing power of the 28 million U.S. black consumers is about $170 billion. In addition, researchers said, "blacks spend four times more per capita than whites on health & beauty aids." Cosmetic purchases in 1987 by black consumers are predicted to increase from $2.7 billion to $3 billion.

Government economists also recommended that retailers promote "regimen buying"—purchase of two or more products "to attain an overall effect,"—particularly for marketing skin care products.

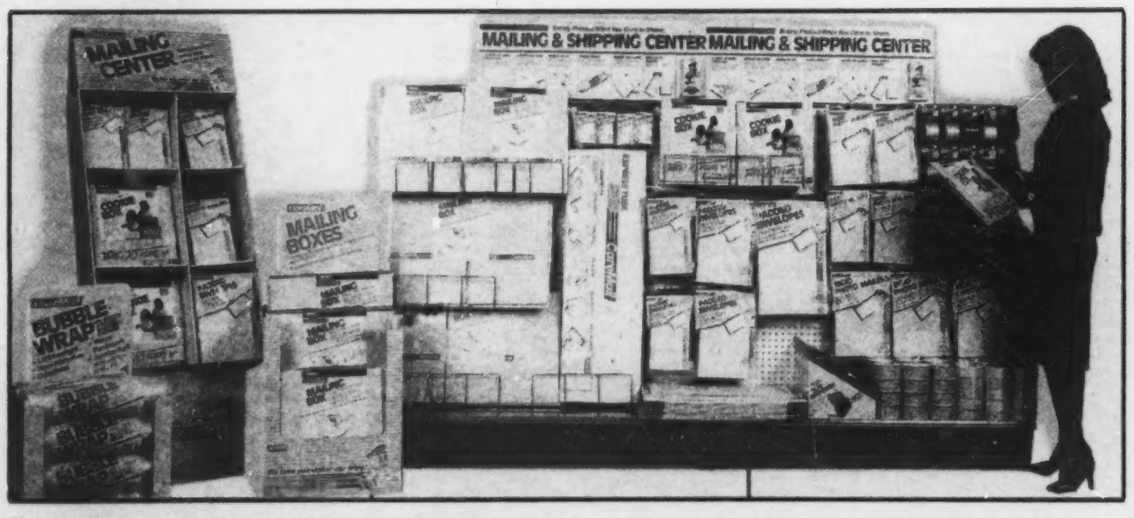
"Competition will dictate continued introductions of new and diversified products into established lines," they said.

Wal-Mart Takes Under Wing One-Stop Mailing Centers

BENTONVILLE, Ark. — In several hundred of its larger stores, Wal-Mart, the giant discount chain based here, has taken under its wing new one-stop, year-round mailing centers that allow customers to purchase everything they need to mail packages.

The basic program, which requires about 8 linear ft. of shelf space in the stores' stationery departments, includes mailing tape and dispensers, padded envelopes, labels, photo mailers, express tubes for posters, express packages, mailing cartons, a specialized box to ship cookies and bubble wrap cushioning material.

The program, designed by Cleveland-based Manco, a manufacturer of duct and mailing tapes, is called "CareMail," and is being marketed under the slogan, "We Take You Under Our Wing."



Wal-Mart is testing this mailing supply center in several hundred of its larger stores. Customers can buy everything they need to wrap and mail packages.

Kiki Matthews, project director for Manco, said her company conducted market research that persuaded Wal-Mart to test the concept in 100 stores. But she declined to discuss the project in detail.

Jim von Gremp, director of public affairs for Wal-Mart, said the program is so new that even test result figures are not readily available. Stores were just getting the modules installed late last month, he said.

"Test results were good enough to add the centers to our basic store module in stationery," he said. "We'll know more about it in a month."

Wal-Mart has put the mailing centers in its two largest prototype stores, 60,000-sq.-ft. and 80,000-sq.-ft. units, von Gremp said. "That covers a lot of our market," he said.

Stores will reorder as necessary, and Manco will consolidate orders and ship directly. Wal-Mart will not handle merchandise through its distribution centers, von Gremp said.

The mailing center is, "one of those categories that make retailing fun," von Gremp said. "Customers can buy specific sizes and get exactly what they want. They will pay for the convenience."

All products meet U.S. Postal Service specifications, Manco said. The mailing cartons come in three sizes that meet 90% of consumer needs, and their bursting strength is 200 lbs.

The postal tapes are: a clear carton sealing tape, a paper packaging tape that requires no moistening, a waterproof, tan carton sealing tape, and a strapping tape that incorporates fiberglass strands.

The water resistant photo mailers come in two sizes to accommodate photographs up to 8-in. by 10-in., and the padded envelopes come in three sizes ranging up to 10½-in. by 16-in. and are suitable for mailing anything from jewelry to clothes, Manco said.

Cookies are the No. 1 item mailed in America, Manco said, and its cookie box features an FDA-approved lining to preserve freshness.

Discounters Hammer Out Gains in Plastic Tool Box Sales

(Continued from page 63)

for the mass market. Check the number of plastic boxes on shelves. You'll see quite a difference from two years ago."

The K mart store in Eatontown, N.J., carries three Flambeau boxes, a 13½-in. for $8.97, a two-tray model for $12.77 and a 16-in. model with tote tray for $14.97.

In addition, it stocks small plastic utility boxes from Soho for $1.97 and $3.44. Manufacturers said small boxes appeal to women for uses other than tools, such as storing sewing notions and art supplies.

In metal, the bottom of the line at the Eatontown K mart is an 18-in. Vermont American box at $18.88.

"Plastics are more readily accepted," said Robert Schanbacher, a hardware buyer for Troy, Mich.-based K mart. "It's the changing times."

But K mart ran into customer resistance at the $30 to $40 price level, Schanbacher said, and backed away from higher priced boxes.

"We pretty much stick to a $20 limit for a 19-in. box," he said. "In years to come, you might see a difference," he said.

Limited Larger Sizes

Contico Manufacturing Co., St. Louis, Mo., already is tackling higher priced boxes with its Tuff line, including large storage chests designed to be bolted to pic up trucks.

Contico boxes are molded of structural foam and are just as strong as steel, even though 17% lighter, said Tom Hensley, vice president, marketing services.

Hensley takes a more conservative view of the prospects for plastics. "We're up against an insurmountable lead of metal. Sears alone sells 5 million metal boxes a year. A 5% share would be a miracle.

"It will take a long time for plastics to reach parity with metal," said Hensley, who estimates small, but steady inroads for the next 20 years.

Contico prices its boxes at or slightly below metal. The company counts several warehouse clubs among its customers, including Costco, Sam's Wholesale Club and Price Club, Hensley said.

Plano Molding Company, Plano, Ill., along with Flambeau and Akro Mills, is one of the largest plastic box makers in the U.S. Its line includes the plastic fishing tackle boxes that have pushed aluminum and steel boxes out of the picture, particularly around salt water.

"Retailers are recognizing the importance of plastic tool boxes," said Plano president Peter Henning.

The tool box business is highly promotion oriented, said Dale Findlay, director of consumer product sales for Canron Inc., Mississauga, Ontario, Canada. Accordingly, his company in its United States venture will feature a 17-in. box intended to sell for $9.90 (U.S.) on promotion and a 20-in. box intended to sell for $14.99 on promotion.

Guess Market Share

As for the plastic market share, Findlay said, "Everybody's guessing. Who knows?"

Findlay's guess is that plastics garner about 15% of the total market and and growing. He predicts parity within five years.

Canron entered the U.S. market by buying a 120,000-sq.-ft. plant in Macon, Ga. "We were forced to invest in the U.S.," Findlay said, after the duty of 5.7% was raised six months ago to 20%.

Competition to Slice Discount Chains' Greeting Card Sales

WASHINGTON — Greeting card revenues for U.S. discounters and other "traditional department store channels" will drop during the next five years, significantly affected by specialty stores and supermarkets.

In a recent analysis by the U.S. Commerce Department, economists predicted that stores specializing in greeting card sales "will show some gain" over other retailers.

In addition, supermarkets will become a leading card retailer, and more retail outlets of all kinds will enter the market.

"Stores providing a diverse mix of traditional and new cards will capitalize best on the demands of the card-consuming public," they said.

According to researchers, greeting cards are a market worth fighting for. Despite a leveling off from "the exceptional growth of the early 1980s (6% from 1979-1984)," greeting card shipments continued to rise—about 2% in 1986, they reported. Value of shipments last year totalled more than $2.7 billion. Economists also expect industry shipments to increase about 2.5% this year, and project similar annual gains (2% to 3%) through 1991.

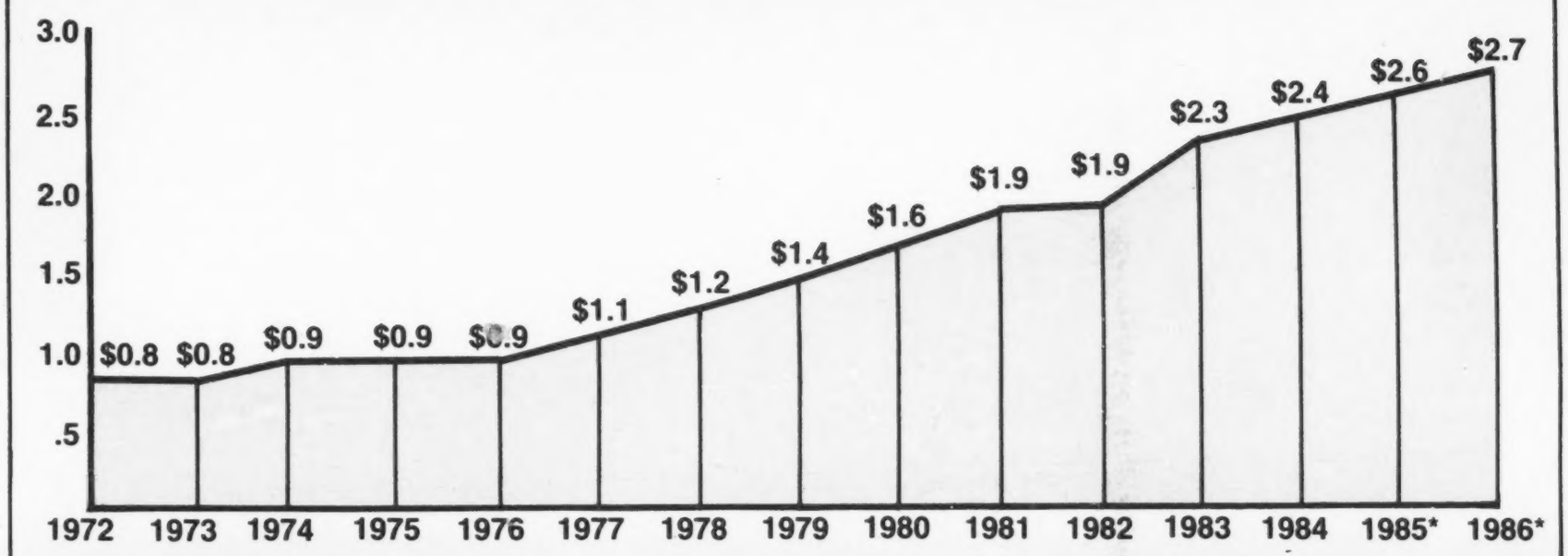
Government researchers reported that competition in the industry was stepped up by the snowballing growth of small greeting card companies, called "alternative publishers." The small card companies now number about 500, they said.

"These firms, which account for about 15% of the total card market, have carved out a market niche for themselves by producing untraditional cards that appeal to a younger and more diverse audience," they explained.

According to the report, a large percentage of the cards sold during 1986 were in "the higher-priced range." A breakdown of non-seasonal cards sold last year showed about 1.5 billion birthday cards and 2 billion "cards for no special occasion."

Greeting Cards: Value of Manufacturer Shipments, 1972-1986

(In Billions)



*Estimate

Source: U.S. Commerce Department

Gold Circle Promotes for Summer

Hard lines such as sporting goods and lawn and garden products were featured prominently in a recent Stock-up Sale circular by Gold Circle. Camping and exercise equipment were emphasized by the Ohio-based retailer, as well as power lawn mowers and barbecue grills.

Philadelphia Bradlees to Test Custom Window Treatments

WARWICK, R.I. — Twenty-two Philadelphia-area Bradlees stores will be the testing ground for an experiment in mass marketing custom window shades and blinds. Kenney Manufacturing, a Rhode Island producer of a full range of window treatments, will supply a new 4-linear-ft., seven-product endcap display for the effort, which it hopes will eventually roll out to discounters nationwide.

The first Bradlees newspaper ads for the new program will run this month, and Kenney expects results to be in by early May.

"Popular wisdom is that mass marketers can't sell specialized products," said Kenney vice president Perry Mazza. "Wallpaper, for instance, was a flop, and the jury is still out on whether we can do it. But we're taking a stab at it."

Mazza added that customers are often overwhelmed by choice and the fear of hanging wallpaper. He said these symptoms are peculiar to the wallcoverings market and that consumers are much more comfortable with window treatments.

Historically, though, anything more exciting than precut vanilla shades has failed miserably in a discount environment. Mazza feels that Kenney may be successful where others have failed because the company has solved two problems that have plagued other attempts; taking deposits and notifying customers when their orders arrive.

"We've taken advantage of existing systems which have been proven to work," Mazza said. "Deposits will be handled by Bradlees' layaway department and their raincheck system will be responsible for notifying the customer."

Mazza is well aware of the track record of other attempts to market service products in a non-service environment. "Bradlees pushed us for six months, but we wanted all bases covered," Mazza explained.

The company said that its simplified ordering procedure will be the key to success where others have failed. "We did our homework," Mazza continued. "We went onto the street and gave people the actual order forms and said, 'Read this, do you understand it?' and kept making changes until the answer was yes.

"We had the luxury of looking at a lot of other programs and learning from others' mistakes," Mazza said, "and the main thing we learned was not to confuse the customer. We limited choices and made the program a simple step-by-step process so a choice can be made right away."

'We limited choices and made the program a simple step-by-step process so a choice can be made right away.'

—Perry Mazza,
vice president, Kenney

Kenney is tempted by the great potential for sales in the discount market. While a discounter may never make inroads into the specialty market, where service and wide choice are necessities, the company does think that millions of Sears and Penney customers can be lured away by the promise of paying 20% to 30% less. "To keep the choice manageable, we're only offering 30 sku's in verticals and aluminums, but a lot of analysis went into choosing colors that move," Mazza said.

And, he thinks discounters will find the program attractive. "Bradlees only has to handle the product operationally," he said, "which gives them a luxury they've never had before—no inventory."

Answers: *1. b, 2. c, 3. b, 4. b, 5. c.*

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Discount Chains Face Challenges In Three Prospering U.S. Markets

Specialty Chains Engulf Atlanta

By Karen Paxton

ATLANTA — This rapidly growing Southeastern city is the embodiment of the challenge of the future facing most mass merchandise chains: a seemingly never-ending onslaught of specialty store operations continuously trimming slice after slice out of one of the nation's most succulent retail pies.

Discounters, facing competition from Sears, J.C. Penney, other discount chains and many of the new specialists, are turning to improved customer service to build customer loyalty.

In this market, Richway

(Continued on page 97)

Chains Bullish On Pacific NW

By Pamela Krein

PACIFIC NORTHWEST — Target Stores' plan to open 35 stores in Seattle and Portland over the next five years is the most dramatic of a number of recent chain invasions in what had been a relatively "quiet" retail market.

Spanning some 172 miles, the Portland to Seattle corridor is attracting scores of discount retailers, including off-pricers ClothesTime and T.J. Maxx, in search of the last remaining undeveloped areas in the country.

Unlike other regions, the Pacific Northwest had been

(Continued on page 105)

Ethnic Shoppers Revitalize Miami

By Mary Ellen Kelly

MIAMI — The influx of Cubans to this sun-drenched urban market has presented a multitude of problems to national chains that are unaccustomed to so dramatic a shift in their customer base.

Discount powerhouses like K mart and catalog showroom operators have had to shift product assortments and redirect their marketing efforts to meet the needs of this swelling, and increasingly affluent, Cuban customer.

The Miami shopper's invigorated spending has merited a redirection of mer-

(Continued on page 108)

Hills to Go Public; Sets Faster Growth

By Peter Hisey

CANTON, Mass. — Hills Department Stores, which went private in a management-led leveraged buyout in December 1985, has filed papers with the SEC intended to take the company public once again.

Hills, formerly the primary business of Ohio-based SCOA Industries Inc., will now be known as Hills Department Stores Inc.

Under the proposed stock offering, the company will sell 5.3 million shares of its common stock to the public at a price expected to be between $15.50 and $17.50 a share. The proceeds will be used to re-

(Continued on page 241)

NMRI to Change Its Name To IMRA at Annual Meeting

NEW YORK — The name of the National Mass Retailing Institute (NMRI) is expected to be changed to the International Mass Retail Association (IMRA), *DSN* learned at presstime.

The new name, which will be voted on this week during the organization's 22nd annual convention at the Fontainebleau Hotel in Miami Beach, Fla., is expected to be ratified. The name change to IMRA follows the merger last fall of the NMRI and the Association of General Merchandise Chains (AGMC).

T.J. Maxx Plans 10 California Units; Also Eyes Midwest Expansion Thrust

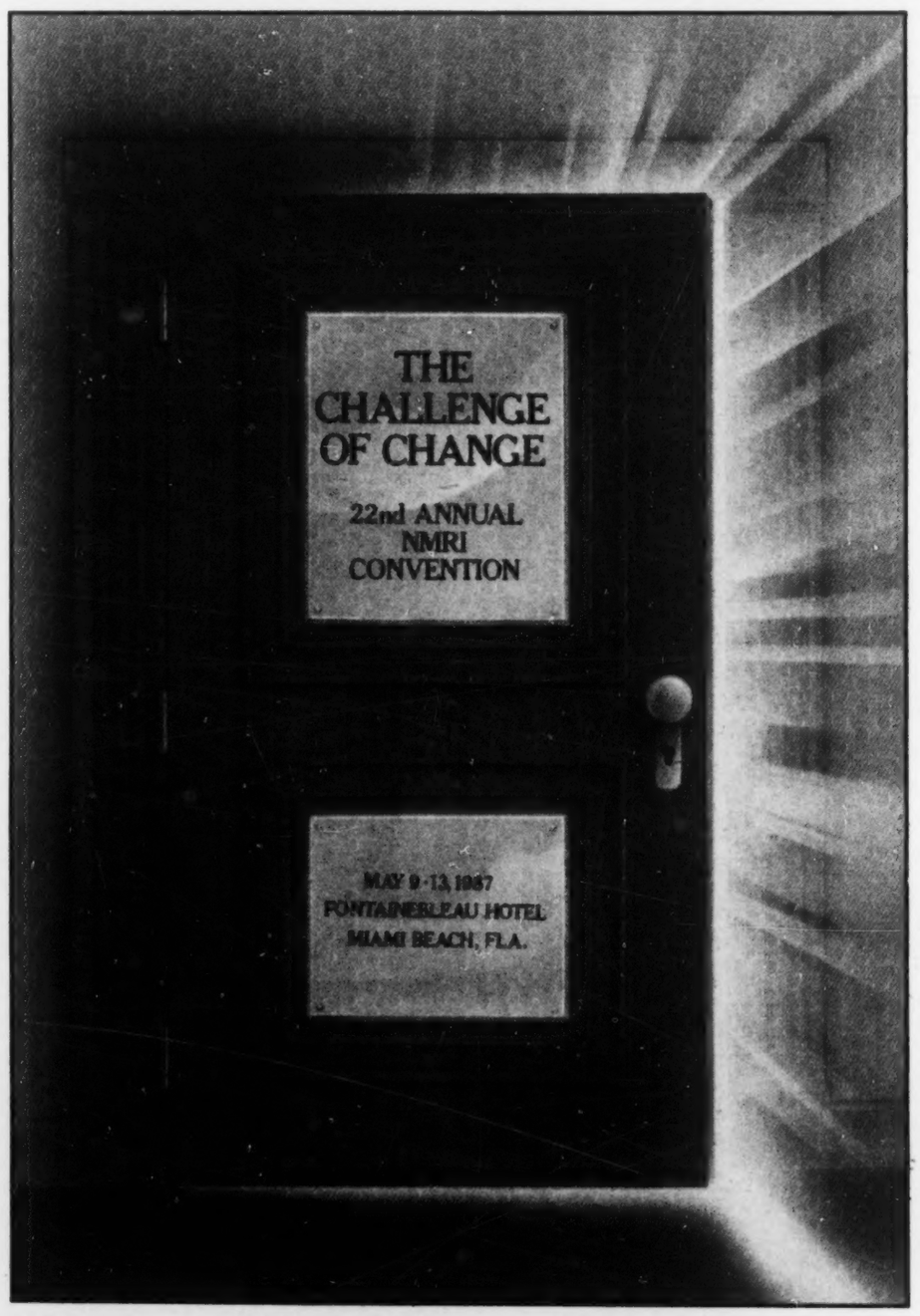
Massachusetts-based T.J. Maxx will invade the competitive California off-pricer market with 10 stores this year. (DSN photo)

LOS ANGELES — T.J. Maxx, the Natick, Mass.-based Zayre subsidiary, will invade the California market with 10 stores this year, the first scheduled to open in Sacramento in August.

The second-largest off-pricer in the nation will also open stores in the San Diego, Los Angeles and San Francisco markets in October and November.

The move into California is part of the 228-store chain's

(Continued on page 241)



DSN's coverage of the NMRI convention begins on page 21.

Busy Signals Block Sales

HSN Moves on Telephone Logjam

By Arthur Markowitz

CLEARWATER, Fla. — If you think you have telephone problems, read on:

Home Shopping Network (HSN) has turned to the latest telephone technology to overcome phone problems that have caused a sharp drop in its sales, a plunge in the price of its stock and the withdrawal of a $345 million convertible debenture offer.

While there was little, if anything, HSN could do about the financial impact of its telephone problems, the teleshopper had to resolve its phone difficulties if it was to meet aggressive expansion plans. On June 15, HSN will launch The Home Shopping Game Show on TV stations covering about 50% of the nation, and in September, it will commence the Home Shopping Overnight Service for broadcast TV stations.

The intense pressure the company applies to its telephone suppliers was evident from the fact that the equipment to update and expand the current Clearwater, Fla., phone center is scheduled to be operational by early next month.

HSN's view of the problem late last month was that "in recent months the company believes its resident [local Clear-

(Continued on page 242)

Automation Challenges Discounters

RTA Furniture Gains Higher Profile

Upscaling Hardware Departments

MARKETWATCH

Wal-Mart Expands Discount Drug Stores

BENTONVILLE, Ark. — Wal-Mart's three-year-old dot discount drug store concept has been successful enough in Des Moines and Kansas City to prompt accelerated expansion this year. Last month, the company opened two dot stores in Kansas City, Kan., and Lincoln, Neb., bringing the total count to seven. By the end of the year, there could be as many as 14. In early summer, dot openings are slated for Hazelwood, Mo., outside of St. Louis, and Witchita, Kan. By the end of the summer, two more are planned for Kansas City, Mo., on Bannister Ridge and Noland Road. Two or three more are expected this year, said Stacy Duncan, corporate spokesperson. Locations for these units have not yet been determined.

Supermarkets General Eludes Dart Group

NEW YORK — Dart Group's attempt to purchase retailing giant Supermarkets General, parent of Pathmark supermarkets, Rickel Home Centers and Purity Supreme stores, apparently ended late last month when a group led by several key employees bid $1.8 billion for the company. The buyout offer was made by Merrill Lynch Capital Partners, along with Supermarkets General senior management, and exceeded Dart's last offer by roughly $100 million. Dart, which still owns about 5% of Supermarkets General stock, is reportedly examining its options, which include entering a still higher bid and mounting a proxy battle. Supermarkets chairman Leonard Lieberman was not included in the group making the offer. His place, if the management buyout goes through, will be taken by Pathmark president Kenneth Peskin.

Ross Installs 5 Cosmetics Boutiques

NEWARK, Calif. — Ross Stores has included a new cosmetics and fragrance boutique in five new stores. Looking to "provide a one-stop shopping experience for our customers," the off-price retailer said it had been testing the department in a San Francisco Bay Area location, and decided to go ahead and include the section within the five stores it opened in April. The new store locations to get the cosmetics and fragrance department are in Los Angeles, Oregon, Maryland and the Bay Area. Saying it is "the first major off-price retailer to offer this," Ross said the sections will average about 15,000 sq. ft. and handle brand names, such as Almay, L'Oréal, Clarion and Revlon, at "less then department store prices." Expansion beyond these new stores will be based on a "wait-and-see" basis, the company said.

Ames Profits Slide While Sales Climb

ROCKY HILL, Conn. — Ames Department Stores reported last month that year-end net earnings fell 33% to $27.1 million from $40.4 million, for the period ended Jan. 31. Sales increased 24.8% to $1.9 billion, while comparable store sales rose 6.4%. The chain, which opened 17 stores last year, confirmed a "significant" inventory shrinkage at its distribution center in Secaucus, N.J. Ralph Shulansky, senior vice president, finance, and chief financial officer, said that while there was a suspicion of theft or fraud, it was too early to pinpoint the exact extent or area of losses. He refused to confirm or deny a published report that pegged the shortage at more than $20 million, but said that more details should be available shortly. At year-end, Ames operated 321 discount department stores and 142 variety stores in 20 states and the District of Columbia.

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Tuesday Morning Registers Loss, But Announces 3-for-2 Stock Split

DALLAS — Tuesday Morning Inc., the Southwestern deep discounter based here, reported a loss of $162,000 for the first quarter of the year, but also announced a 3-for-2 stock split.

The company reported $27.9 million in sales in fiscal 1986 from its unique method of operation. Tuesday Morning opens its stores only six times a year during top-selling periods and offering only first-quality, name brand products at "50% to 80% off retail prices typically charged by department and specialty stores." The company concentrates on hard lines, but regularly sells limited soft goods such as linens; apparel is sold on an extremely limited seasonal basis, such as with a selection of ties at Father's Day.

Edward Larsen, Tuesday Morning's chief financial officer, noted that the losses were expected and were actually lower than projected. "We opened nine new stores after March of 1986, so fixed costs were higher and increased volume didn't make up for it," he said.

The nine stores opened through March of this year raised the company's total to 71. All are located in various Southern and Southwestern states, Tuesday Morning's usual territory. According to controller Pat Ross, the company has traditionally operated no further north than St. Louis and Washington, D.C. However, that tradition ended early this month with the opening of the first Tuesday Morning store in Chicago.

The company had planned on losses of 7 cents per share; the actual figure was 6 cents per share. Losses for the same period a year ago were $197,000. Sales were up 20% over first quarter 1986.

Larsen said that analysts project a 12 cents to 15 cents per share gain for the second quarter. The company now operates 73 stores in 15 states, including the Chicago opening and one recently opened unit in Colorado Springs.

Tuesday Morning earned $3.61 million net on sales of $62.2 million in 1986. Most of that profit ($3.1 million) was earned during the fourth quarter. Comparable store sales were up 10% over 1985.

61 Vendors Nominated For 10th SPARC Awards

NEW YORK — Sixty-one manufacturers in 18 merchandise categories have been nominated for the 10th annual SPARC (Supplier Performance Awards by Retail Category) awards, announced Raymond Wysocki, SPARC committee chairman and executive vice president, general merchandise manager for Zayre Corp.

The first ballot nominations were made by discount store buyers from the Top 100 chains.

The second and final ballot, which will determine the first, second and third place winners in each category, will be made by general merchandise managers from the Top 100 chains.

The SPARC awards program, sponsored by *Discount Store News*, recognizes manufacturers serving the special needs of the discount store industry. The 1987 awards will be presented at a gala 10th anniversary banquet held in Chicago at the Marriott Hotel (Downtown), Aug. 9. At the same time, *DSN* will announce the Discounter of the Year award (see ballot on page 4 of this issue).

(Continued on page 8)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—5/11, Discount Store News, 425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.

25 Years Ago This Week:

Gee Mr. Science II: A Norwegian company introduced a combination tape player/cash register, billed as a "talking cash register." No comment on what the thing said.

Dutch Treat: Canadian discounter Towers Marts was planning to sell discount cars—the Daf, a small Dutch automobile expected to sell for less than $1,700.

1. What large discount chain opened the first of four Minneapolis-area stores in suburban Roseville?
a) Target;
b) K mart;
c) Zayre.

20 Years Ago This Week:

Using Technology: Computer programmers cheered Mammoth Mart vp Robert Slattery's statement, "There must be a partnership between management and the EDP operating staff."

Safe Bet: Zayre treasurer Sumner Goldberg predicted that discount volume would "easily" double within the decade, to $30 billion by 1977. His forecast was conservative. Sales hit $47 billion in 1977, reported the *DSN* industry census that year.

2. What Northeastern discounter announced plans to open three Boston stores by 1968?
a) Zayre;
b) Bradlees;
c) Caldor.

10 Years Ago This Week:

Power Shortage: Plagued by a 12% return rate, many discounters were forced to give away new batteries for LED watches. Pamida sidestepped the problem by advertising LED watches as "disposable."

Who Cares?: Inquiring minds were *not* asking about controversial store-level warranties, which S.E. Nichols president Manfred Brecker called "a consumer-interest program in which consumers have absolutely no interest."

3. What discounter predicted it would hit $1 billion in sales in 1980?
a) K mart;
b) Wal-Mart;
c) Mammoth Mart.

5 Years Ago This Week:

Remember Smile Buttons?: Licensed Pac-Man sales continued to soar, but most buyers predicted that the impending introduction of Donkey Kong and Frogger would blow the little blip out of the water. They were half-right.

4. What well-known discounter told its employees that the dissolution of the chain was near?
a) Two Guys;
b) FedMart;
c) Korvette.

1 Year Ago This Week:

No More Mr. Nice Guy: Heck's, reeling from record losses, threatened to stop "coddling" 12 poorly performing stores.

5. What company denied published reports that it planned to sell its Mr. HOW home centers, then sold it?
a) L. Luria;
b) Service Merchandise;
c) Best Products.

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Store Brands Succeed When Retailers Guarantee Quality

Nationwide DSN Report

The success of store brand sales is directly tied to the commitment retailers make to their private label programs and begins at the point-of-purchase, says a new study by the New York City-based Private Label Manufacturers Association (PLMA).

When retailers provide consumers with quality products that are fully guaranteed, at a good price, consumers say they buy a greater number of retailers' store brands.

Consumers also say that their faith in a store brand is enhanced when they see that retailers emphasize quality—as opposed to price—in their store brand advertising. They are quick to cite such advertising.

"A lot of times you'll see them say that the store brands are 'guaranteed quality' in the circulars they mail out," said one consumer. "They should do it more, because I know it made me feel better about buying them [store brands]."

Once convinced of the quality of store brands, customers stay with a particular retailer and the store brands sold there.

When retailers do not include quality and guarantees in their store brand advertising and focus more on price, consumers express less trust and acceptance of those store brand products.

The PLMA study, based on focus group research conducted over a two-year period in four U.S. cities, reflects a broad cross section of consumer attitudes toward and experiences with major mass merchandisers, deep discounters, warehouse stores, membership clubs, supermarkets and drug chains.

Focus Group Answers 'Why'

The focus group format was chosen because the PLMA felt that such groups can answer the "why" that statistical research cannot answer. To provide as broad a cross section of attitudes and experiences as possible, focus group panels were conducted in a medium sized east coast market, a medium sized midwest market, a major metropolitan market, and a rapidly growing sunbelt market. Focus group participants were at least 21 years of age and the primary shopper for a household of two or more. Household income ranged from $15,000 to $25,000 annually.

The study shows that the more sophisticated the shopper is, the more likely such a shopper is to try store brands. Store brand shoppers typically use labels as a basis for comparison and purchase. "If it has the same stuff on the label, to me it's ridiculous to pay more for the national brand," said one member of the focus group.

Regardless of what they purchase, consumers in all four focus group cities generally agree that both store brands and national brands are made by the same manufacturers.

"The national brands make them [store brands] and just put them out under the store's name," said one shopper.

Perceptions Vary by Market

Perceptions of manufacturers and store brand quality vary by market, however; in the medium sized east coast market and in the major metropolitan market, where full-scale private label programs are in place, consumers notice that store brands and national brands often list identical ingredients and grades on their labels. Consequently, focus group members expressed the belief that store brands and national brands are one and the same product, of equal quality, from the same manufacturers.

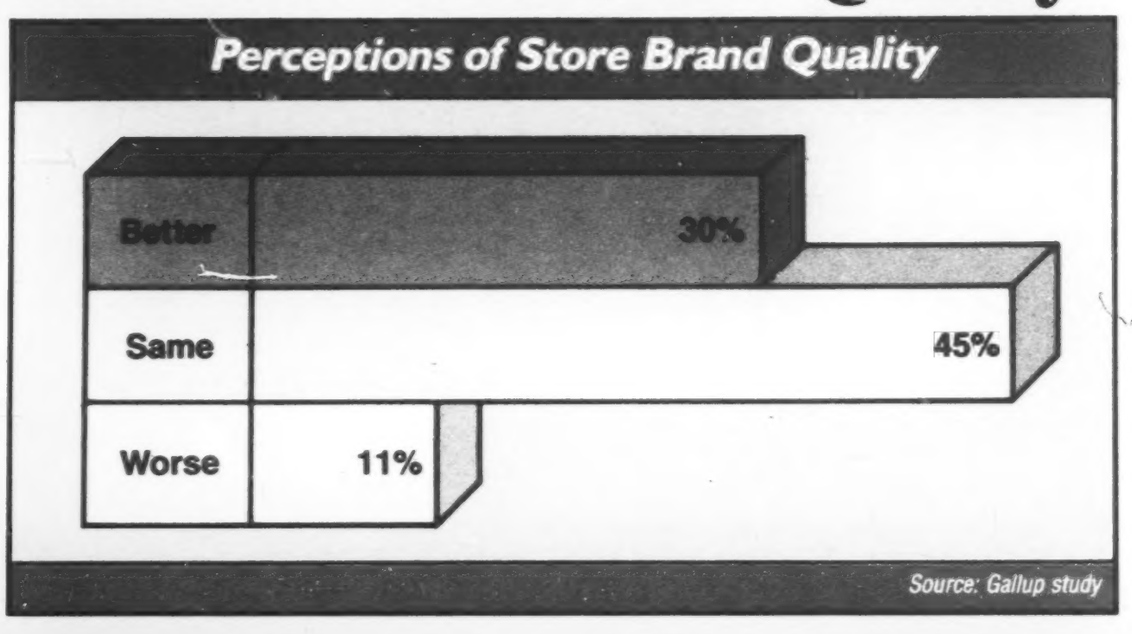
By contrast, members of the focus group in the medium sized midwest market, where private label programs are not as strong, voiced the belief that store brand products were usually overruns or leftovers of national brands. "I think someone buys their surplus from the manufacturers. And that's why the quality varies," opined a midwesterner.

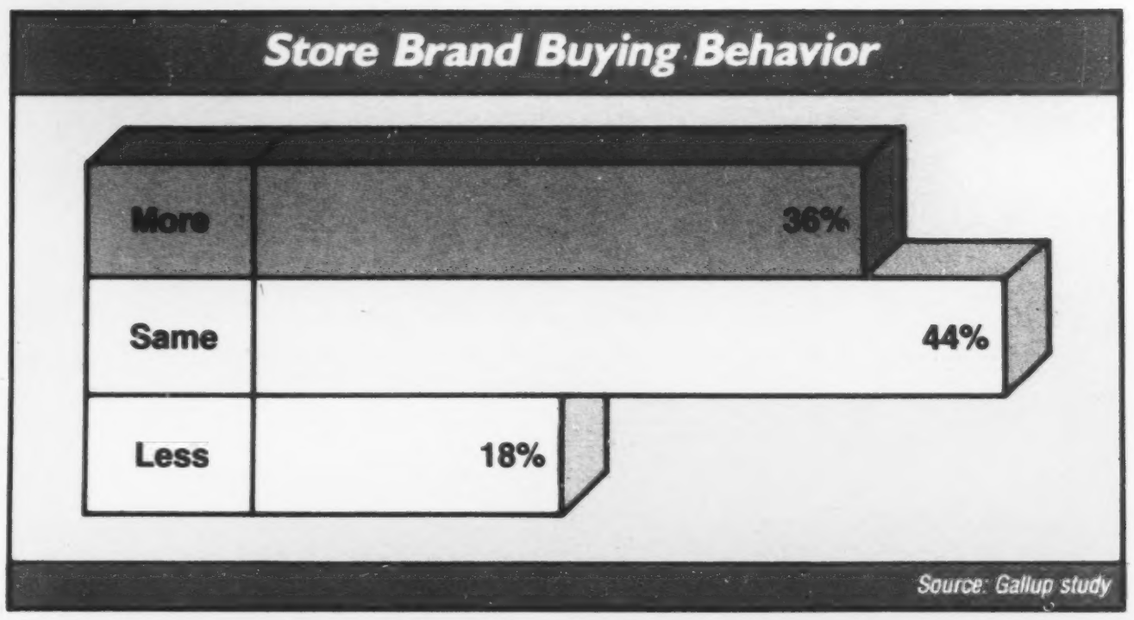
While the key inducement to trying store brands is price, customers do not buy again unless they are satisfied with quality, said the study. Once convinced of store brand quality, customers stay with a particular retailer and the store brands sold there. They say they would switch only if the alternative were cheaper. A product's end-use can be a key factor in influencing a customer's decision to buy a store brand. "Sure, the national brand paper towels do tear at the perforation better, and may be better. But my kids are always tearing off three or four sheets at a time. Why pay for waste?" asked one focus group participant.

Other key findings of the study included:

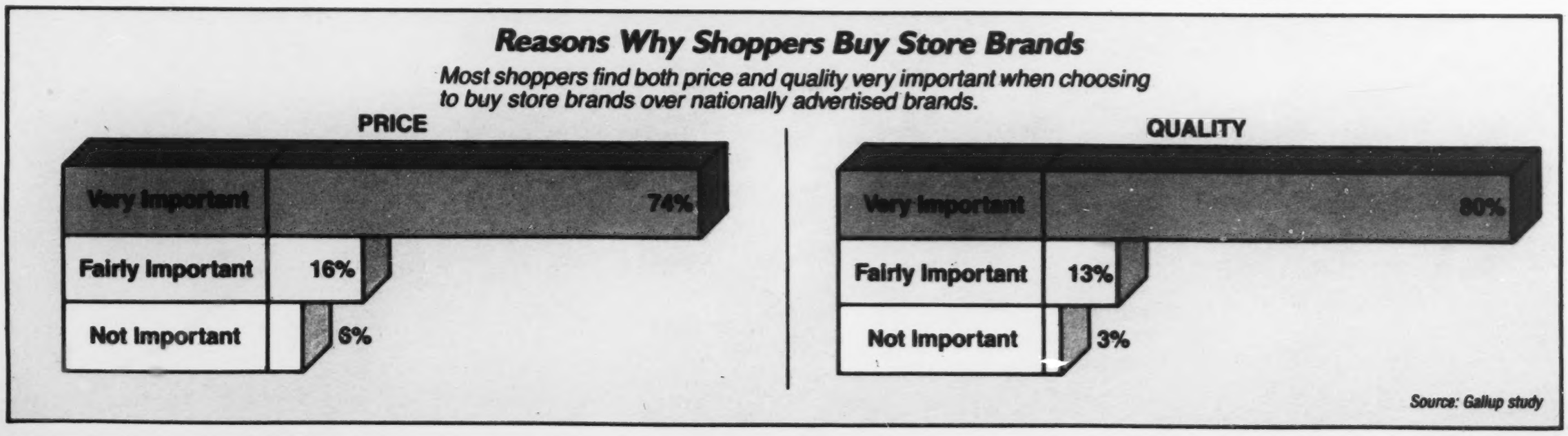
- Consumers are cognizant of which products are the store's own brands, regardless of the name used. They understand how store brands and generics are ranked and positioned against the national brands and believe generics and signature generics are similar to, but of lower quality than, either store brands or national brands. "There's the national, compared to the house brand, and I think they're pretty comparable," said one focus group participant. "And then there's the generic."
- Store brand shoppers use labels and ingredient listings as a basis for comparison to a much greater extent than national brand consumers. They are much more sensitive to the price/quality equation.
- Store brand shoppers tend to promote store brands to friends. In general, the study found, consumers would like more opportunities for store brand trial sizes and in-store sampling.
- Significantly, consumers relate store brands to the name or reputation of the retailer. "To me, if the retailer's name is on it, that says something about the way they have selected whatever packager. Whereas a label that does not carry the store name on, it is to me a more unknown quantity," said one shopper.

The PLMA study was distributed to over 800 PLMA members, including manufacturers, retailers, wholesalers, brokers and suppliers, as well as to a host of others in several retail trade classes.





Store Brands Perform As Well Or Taste as Good As Nationally Advertised Brands
Mostly Agree 50%
Not Sure 10%
Mostly Disagree 40%
Consumers Think Store Brands And National Brands Are Made by the Same Manufacturers
Mostly Agree 65%
Mostly Disagree 16%
Not Sure 19%
Source: Gallup study



22nd NMRI Convention

Market Update

Atlanta Market Embodies Specialty Challenge

(Continued from page 1)

avidly avoids issuing rain checks by transferring advertised discounts to similar items, just to keep shoppers happy and encourage them to return. In this and all Southern markets, one or two associates who walk the stores recently were armed with cordless phones so they can answer consumers who call for help from the sales floor.

K mart, in touting the benefits of "lifestyle scheduling," is keeping its employees happier and more responsive to customers. Employees set their own hours—to fit their lifestyles.

These ploys are helping discounters improve customer service—the aspect of business discounters in Atlanta say will increasingly define their stores in the minds of consumers, who are being offered a host of shopping alternatives.

Atlanta is the fifth fastest growing major market in the country, according to the Census Bureau. Tampa-St. Petersburg, Dallas-Ft. Worth, Phoenix and even Houston have been growing faster, but Atlanta shoppers are clearly the kind that specialty retailers target.

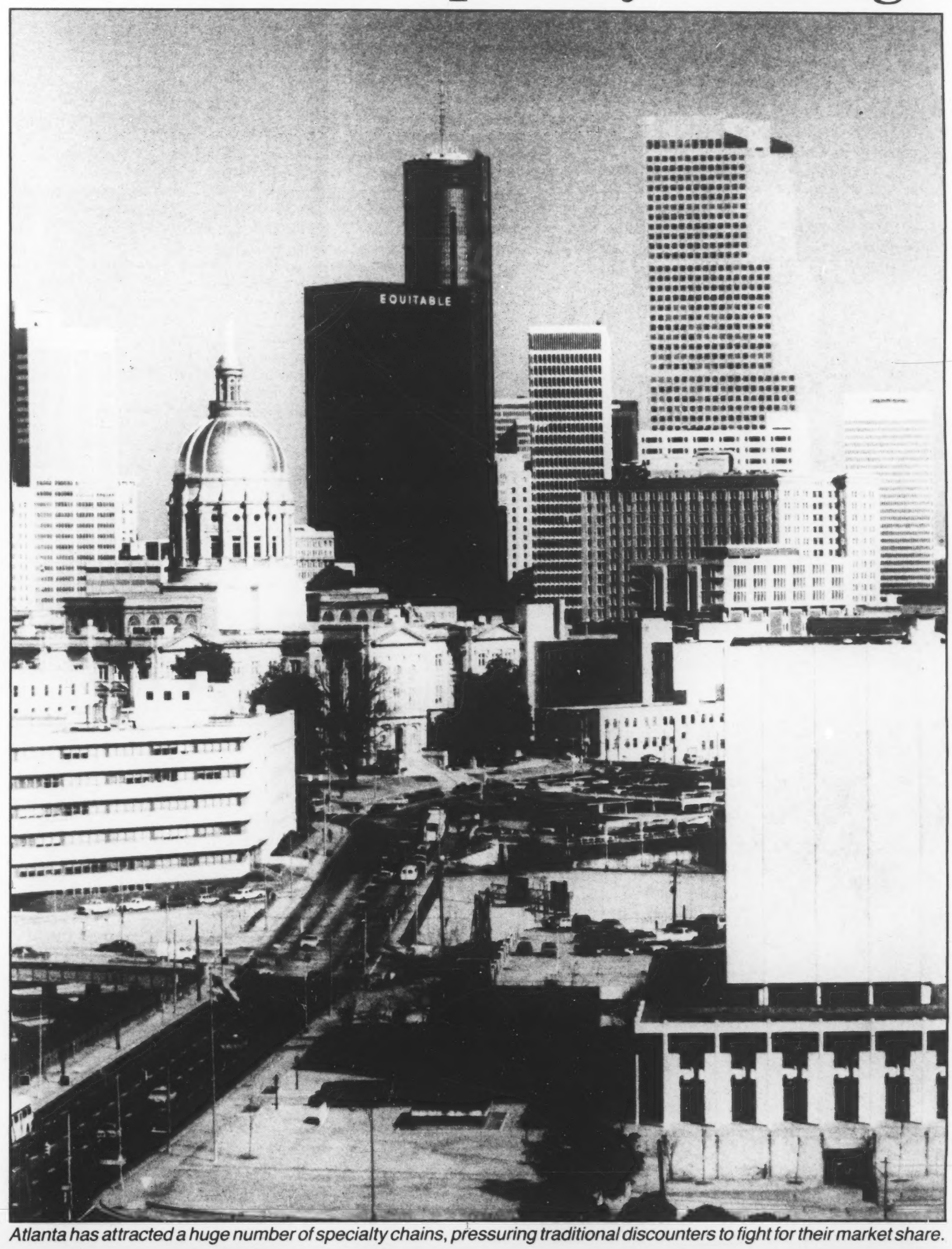
Atlanta's population is full of young aggressive consumers or "retail Rambo's," as they're described by one local retailer. These consumers consider shopping a leisure activity to be pursued with a passion. The result is the fifth highest annual retail sales per household—$19,296—in the country, according to *The Atlanta Journal Constitution*. And the population is still growing.

Facts like these prompted a mass migration of specialty stores to Atlanta in the past three or four years. The discounters—Richway, K mart, Zayre and Wal-Mart—appeared to have established a quiet and peaceful coexistence.

This year, however, both Wal-Mart and K mart are increasing their claims to the market with plans to expand within Atlanta. Wal-Mart, which has operated outside the city's perimeter highway, I-285, will move inside the loop in 1988 with four more stores. K mart, which just sold one of its 32 existing leases to Mervyn's, is planning to unveil another five Atlanta stores over the next 18 months. Two should open this year.

Competitive advantages for the discounters here now relate more to locations and customer service than

(Continued on page 98)



Atlanta has attracted a huge number of specialty chains, pressuring traditional discounters to fight for their market share.

Atlanta's Discount Store Shoppers

30-Day Period

Store	No. of Locations	No. of Shoppers	Shoppers Per Store (Average)*
K mart	32	1,093,000	34,156
Richway	14	942,000	67,286
Wal-Mart	14	463,000	33,071
Woolworth	10	226,000	22,600
Zayre	10	464,000	46,400

** The average number of shoppers per store was determined by dividing the total number of shoppers by the number of locations. This number does not reflect the actual number of shoppers at each location.*

Source: Atlanta Journal-Constitution, *February 1987*

Cross-Shopping Among Discount Store Shoppers in Atlanta

30-Day Period

	K mart	Richway	Wal-Mart	Woolworth	Zayre
Total shoppers	1,093,000	942,000	463,000	226,000	464,000
Percent Who Also Shop at:					
K mart	—	80%	80%	91%	87%
Richway	69%	—	59	66	75
Wal-Mart	34	29	—	35	28
Woolworth	19	16	17	—	32
Zayre	37	37	28	66	—

Source: Atlanta Journal-Constitution, *February 1987*